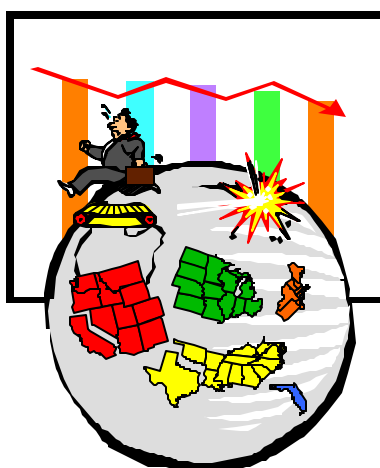


Balkanized America

Role of Federal Government	U.S. Economic Vitality	Threats to U.S. Society	Demand for Maritime Services
Limited	Weak	High	High



Summary

Balkanized America is, in many ways, a world pulling apart. Global politics and relations are troubled by regional and ethnic conflicts. Terrorism strikes with frightening frequency, and increasingly close to home. The U.S. has long since withdrawn from playing an activist role in world affairs. There are no more peacekeeping missions. We involve ourselves only in international forums that serve our narrow, parochial interests. At home, U.S. society has turned inward. The scope of federal government activity has been greatly scaled back to mostly essential economic and security roles. Terrorism and illegal immigration are two such security issues on the minds of the public. At the same time, regional, state and local governments have inherited broad policy and regulatory responsibilities, including environmental protection, previously controlled by Washington. The U.S. economy is lethargic overall, though certain sectors (such as technology, information and entertainment) and geographical regions are strong. Fiscal pressures at the federal level are relentless, owing to slow growth and the heavy entitlement burden of the aging population. U.S. maritime commerce is growing though it tends to be regional and local, given changing trade relationships and the evolution of close-to-market manufacturing and distribution systems. The number of U.S. ports is expanding, as increasing numbers of (richer) states and regions desire their own trade infrastructure. Ports situated in dynamic regional trade zones, such as Miami, are booming. They stand in something of a contrast to the economic status of the U.S. as a whole.

In 2020, the U.S. is an isolationist, inward-looking society. The global economy has failed us and, in the diplomatic realm, we no longer hold global leadership ambitions. The world has grown steadily more dangerous as the tools of terrorism have grown more portable and, at the same time, more invisible. U.S. society itself does not have a clearly shared set of political values or economic goals. Regions, states, and localities have their own agendas, based on local needs and priorities. It is here — and not in Washington — where real political power and economic leverage reside.

Future History: The Road to 2020

2000-2010

It seems so long ago when globalization was the watchword of everything from politics, sociology, economics, popular culture and even religion. National borders, we were told, would be meaningless. Goods, services, bits, bytes, people and money would soon travel along seamless paths and in the process make the world's citizens materially better off, culturally aware, environmentally responsible and, most importantly, more inclined to find peaceful solutions to the problems of living together on an increasingly crowded planet.

This exuberance can perhaps be blamed on the low-grade millennium fever that befell the U.S. in the late 1990s. In truth, though, there were many other factors feeding our optimism, not the least of which was the economic expansion that started in the mid-1990s and carried the U.S. and global economy nearly a half decade into the 21st century. The Internet explosion was taking place then, too, and awesome breakthroughs in pharmaceuticals and microelectronics that promised improvements in both the length and quality of human life. When the major governments and business leaders of the world individually and collectively managed to minimize the damage and disorder from the much-feared “Y2K bug,” major new investments were pumped into promising high-tech ventures, just about guaranteeing a sustained boom of new products and innovation well into the 2000 decade. The recession of 2000-2001 was a respite, not a detour.

Adding to this headiness were the reforms taking place within government itself. Underneath the hype of “reengineering government” was the start of real, tangible change. Concepts such as organizational alignment, strategic planning, privatization, TQM, customer responsiveness, etc., were borrowed from the private sector and adapted gradually over time to government operations with impressive results. To be sure, the federal bureaucracy was not miraculously transformed or purged of politics and influence peddling. But it was reformed from an operational standpoint in key respects and significantly freed of rigid financial and oversight controls that just about everyone agreed were counterproductive and the key causes of waste, inefficiency and inertia.

More importantly, the scope and power of the federal government were shrunk, as programs were either transferred to the private sector, offloaded to the states, or eliminated. The late 1990s welfare reform was only the start of a prolonged nonpartisan effort to downsize the federal government via restructuring, privatization, outsourcing, and reform of major spending programs. Welfare was only a piece of the overall effort. A major thrust of this reform effort was the expansion and intensification of

transferring program and spending responsibility to state government. States received steadily increasing authority over a range of programs and policy decisions ranging from education and transportation to land use and environmental regulations.

The incentive to keep the government shrinkage effort alive was enabled by a generally strong U.S. economy and the public's desire to sustain economic expansion. Successive administrations, Republican and Democratic, articulated the mutually reinforcing connection between good economic times and a balanced budget, thereby gaining the political capital required to withstand pressure (predictably intense during slowdowns) to prime the pump and get people back to work, no matter the cost. The "zero deficit tolerance" policies worked. Successive years of fiscal surpluses, low interest rates, and steady growth were the happy results.

None of this, of course, would have been possible without a free and expansive global trade environment. True, the major global financial organizations such as the World Bank, the IMF and the World Trade Organization were important and powerful advocates. Alone, however, without U.S., EU and Japanese backing, these institutions would have proved powerless in the face of latent protectionism and cutthroat global competitiveness. The commitment to free trade and open markets survived the 1998-2000 turbulent period of Asian and Emerging Market instability. This was in no small part due to the United States' resilient economy and Japan's impressive export-led; consumption balanced recovery in 2001-2004. The positive effect of China working out its domestic private debt problems (which by 2000 were more serious than Japan's) and staying the reform course during this time cannot be underestimated as well.

The world trade and commerce environment also benefited from a *relatively* peaceful — though by no means conflict-free — interlude in global political events, of which the fall of Iraq's Saddam Hussein was a key component. For the U.S., the allied intervention in Serbia in 2002 proved to be the most costly and controversial undertaking, for we were once more shouldering a disproportionate share of the human risk and financial cost without equivalent contributions from some of our European allies. Yet the ultimate success of the mission to some extent defused mounting criticism that American lives were once again on the line for a dubious cause.

Still, the Pentagon was not spared the rationalization fever that swept the budget process. All branches of the armed forces looked for ways either to reduce nonessential expenditures or to secure new missions. The Navy, for example, severely reduced its DD-21 acquisition in favor of smaller, frigate-scale ships.

Not surprisingly, then, global trade expanded steadily until almost the end of the 2000 decade, with major interruptions occurring as a result of mostly temporary economic or currency problems. Neither the NAFTA nor the EU integration movements ended up hampering multilateral trade flows; indeed, trade analysts agree they facilitated multidirectional commerce. For the U.S., the biggest challenge from an infrastructure perspective was keeping up with the steady build-up in traffic, especially that with the Asia-Pacific region. In the absence of long-term planning and investment, trade and port officials were always playing catch-up — and with undersized tools. Industry warned of declining competitiveness in

the face of an aging trade infrastructure, but few politicians took up the cause. They had their own pet pork projects to push. Moreover, in an age of advanced digital commerce, the actual physical requirements of commercial transportation were, as ever, far from the public's attention.

Innovations in materials technology, and flexible manufacturing, coupled with the convergence of exchange rates among the major world trading parties, contributed to collapsing distances between product manufacturers and end-users. The "action" was increasingly at the local level. Paradoxically, while products were designed and assembled close to final target markets, production and value chains were increasingly global in nature. Japanese-owned television assembly plants in Tijuana imported electronic components sourced from Silicon Valley, Vietnam, Brazil and Mexico for sale in the U.S. and throughout the Americas.

As the first decade of the 21st century drew to a close, we received the first warnings of the threats and challenges that would confront us in the years ahead. Terrorist incidents grew both more frequent and more deadly. Paris and Munich were targets of deadly chemical weapon attacks in which a total of 747 commuters were killed within a 72-hour period. Americans wondered not if, but when, a U.S. city would be hit. Ethnic conflicts broke out across Asia, Africa, Central Europe and Latin America, frequently in areas hard hit by economic distress or by the societal or cultural disruptions resulting from rapid social change, modernization and secularization. The amount, intensity and human cost of these clashes increased far beyond the capacity of the U.S. and the UN to mount credible peacekeeping activities. Nor were Western democracies immune from these pressures. Separatist movements gathered steam in Quebec, Wales, and Bavaria. Even the United States was not immune from separatist movements, as evidenced by the rising political credibility and influence of the secessionist movement in Texas.

As always, economics had a major impact on the political debate of the day. The election of 2008 took place with economic growth slowing markedly. The slowdown proved to be more than a predicted cyclical adjustment. Other factors were the deteriorating world situation and a sudden collapse in investor confidence. As capital scoured the globe looking for safe havens, all of the major central banks raised interest rates in what became, in effect, competitive bidding for deposits and government debt paper. Rising interest rates choked growth, causing unemployment to rise to politically worrisome levels.

But it was not just the economy that was on the public's mind. The American public was now terrified as they watched the U.S. get drawn into seemingly endless and increasingly dangerous foreign missions. Daily news reports evoked fears of a world slowly disintegrating. These fears intensified as European capitals were victimized by chemical weapons attacks. Closer to home, Mexico grew politically and economically paralyzed as simmering rural unrest fused with urban frustration thereby creating a large, sometimes violent, and destabilizing new "democratic reform movement." Economic collapse sent hundreds of thousands of new economic refugees to the border, which by 2008 was effectively militarized.

The U.S. Democratic candidate in 2008 was elected on a vague platform calling for "a more activist and engaged federal government," which the public took to mean more jobs, higher income, and greater

security, abroad and at home. In perception, at least, the public registered a clear mandate for change. In response, the new president embarked on an ambitious public spending program, with spending priorities centering on defense, suburban infrastructure upgrading, education, and industrial and employment incentives. It did not matter that these aggressive spending plans clashed with the small government crusade followed dutifully for decades by previous administrations, Democratic and Republican. What mattered was government taking credible steps to respond to remove the increasingly acute feelings of economic and physical danger that wracked the lives of the American people.

2010-2020

The model of small, “zero-deficit government” that seemed to serve the country so well in the first decade of the century was steadily undermined by new political and security exigencies. A new president and an influx of ambitious legislators agreed that the restrained government/free trade economic model was no longer responsive to the needs of the country. A new era of government activism was forming on the horizon. Pundits warned of the return of big government, and they were not wrong. The problem was not just the return of big government, but the fact that there no longer existed the bureaucratic controls to manage large government programs. These big spending missions were thrust on an undersized administrative capacity that, as the scandals of 2011 (described below) would prove, could not cope with the scale of the projects. In retrospect, it is clear that there was little program oversight and frighteningly few controls.

Government spending escalated (without correspondingly increasing tax revenues) as a wide range of new programs was launched. In part a response to economically strong and potentially aggressive China (but also for the benefit to hungry defense contractors), Congress passed executive-sponsored legislation to modernize and re-tool the armed forces for both traditional and non-traditional (especially anti-terrorist) missions. Domestic infrastructure projects were launched, with the lion’s share concentrated on politically powerful constituencies. At the same time, urban unrest prompted the funding of ambitious new jobs, education and housing programs, the like of which had not been seen since the 1960s and 1970s. New federal environmental regulations were implemented to force higher air and water quality standards.

The economy did not respond as hoped in 2010-2011. As the federal deficit rose, investors grew nervous over inflation and interest rate hikes, as well as rising domestic dangers, including crime and terrorism. Private capital outlays contracted in response. (The result was continued declining growth and rising private sector unemployment, as more private sector jobs were being lost than government sector jobs were being created.) The unemployment situation reached crisis proportions in Southern California, the destination of increasing numbers of undocumented Mexican and Central American workers fleeing political turbulence and dire economic conditions.

In the winter of 2011, as criticism of the spend-to-grow strategy mounted, the first of a series of major corruption scandals concerning the misappropriation of public funds hit the newspapers and netwires. The controversies, all separate, involved three federal departments — the Pentagon, HHS, and E&E (the Department of Energy and the Environment). The amount of funds misappropriated was huge. As

details of payoffs, kickbacks, wired contracts, and bribes from foreign governments became known, a picture emerged of government spending run amok. Unlike the last major Washington controversy, the misdeeds involved both major parties. Congressional investigations were followed by federal indictments and forced resignations of dozens of high-ranking government officials, four members of Congress, and a member of the White House staff.

The election year of 2012 was a low point for the nation. The scandals doomed the incumbent Democratic candidate and caused widespread finger-pointing among members of both parties, as Republican perpetrators were as prominently featured in the scandals as were the Democrats. But it was clearly worse for the Democrats. Beyond the scandals, in the public's eye, the Democratic administration was responsible for the weakening economy, rising domestic dangers, and irresponsible foreign entanglements with no clear endgame that cost young American lives. Three months before the election, a self-proclaimed band of reformists defected from the Democratic Party to form the Democratic Reform Party (DRP). Their platform called for a new commitment to honest and fiscally responsible government and, like the Republicans, a return to local power.

The Republicans skillfully exploited the disillusioned and nervous national mood. Their campaign platform was elegant in its simple pragmatism and parochialism: shrink the federal government, revive the economy, return power to the states, and "America for Americans" (code for tough immigration restrictions and ending U.S. sponsorship of peacekeeping campaigns).

The Republican victory of 2012 was widely predicted and decisive. It marked the beginning of a government reform era that would shape public policy well into the next decade. The new administration pulled the plug on a wide range of federal programs, particularly the ones introduced in the post-2008 Democrat era.

Power shifted back to the states, a welcome development for the many Americans for whom the good old days were when Washington was small and the states were independent and empowered. A parallel devolution of power from states to local governments transpired as well. The tight fiscal situation once more put Social Security under scrutiny. The program was preserved, but for the first time subject to income limits. In effect, the wealthiest 10 percent of retirees were disqualified from receiving benefits and the next wealthiest 10 percent received reduced benefits, ranging from 75 to 90 percent of previous amounts.

The U.S. turned inward at a time of increasing international conflict and danger. Credible intelligence reports pointed to growing traffic in weapons of mass destruction (WMD), which by 2015 much of the world had witnessed, if not experienced directly. The United States' turn came in 2013 in Orlando, Florida, where a single chemical weapon killed 147 people, mostly American tourists. The Orlando tragedy galvanized government action. To the dismay of civil libertarians, Congress gave the administration far-reaching authority to empower national intelligence agencies to conduct widespread monitoring of private communication and movements.

Southwest *USA Today* Poll: Americans Fear Terrorist Acts on U.S. Soil

U.S. citizens are acutely concerned about physical threats from terrorist acts, according to recent Southwest *USA Today* poll. In a survey of 2,500 adults over a three-week period, 64 percent expressed "high" or "profound" levels of fear that they or a loved one would experience terrorist violence sometime in the next 12 months . . .

To better track the movements and activities of suspected terrorists and conspirators, government control extended into all forms of private communications. In response, many exclusive networks were formed to give business and individual users a greater degree of protection from government monitoring, and at the same time greater communication protection and reliability in the face of disruption by hackers and network invaders. The pronounced vulnerability of the Net and computer systems to hackers and digital saboteurs had long ago dampened the world's enthusiasm for Net communications. The government's increased role now did not help the cause.

Scenario End-State: U.S. Society, Economy and Government in 2020

The U.S. in 2020 is nothing like the image of those late 20th century policy visionaries, who imagined sustainable economic growth, permanent budget surpluses, rapid technological development, ever-expanding global free trade, environmental improvement—and all this with a lean but dynamic federal government. Today, two decades into the 21st century, about the only element of that image that has unambiguously materialized is the reduction in the size and policy scope of the federal government. All of those other lofty goals have remained elusive for the most part, or been rendered irrelevant by changing times and shifting global conditions and priorities.

The 2020 world situation is complex and dangerous in new and unfamiliar ways. There are no major wars, and none are looming. But there is not peace, either. Hardly a major geographical region is without serious conflict of one form or another. Ethnic, tribal, religious and nationalistic antagonisms are never far from the surface anywhere, and local bullies and strongmen often stoke them for their own purposes. Even the U.S.-Mexican border in California has been the scene of periodic skirmishes since the California State militia was deployed there a decade ago to manage what had become an uncontrollable flow of people and contraband into the U.S. The state militia is still there.

NE Regional Trade and Commerce Specialist

NETIA, the New England Trade and Industrial Authority, seeks an experienced analyst to conduct studies to support trade and commercial development of the greater NETIA region. The ideal candidate will possess in-depth knowledge of the New England economy and the new Regional Development Zones established with Quebec and the Canadian maritime provinces . . .

Globally, it would not be an exaggeration to say that terrorism is becoming rampant. It is the standard outlet for rogue states, religious fanatics and other desperate groups to publicize and express their radical agendas. What is different, compared with 20 years ago, is the increasing number of terrorists who now have access to weapons of mass destruction. We have seen in multiple instances the terrifying effects of chemical weapons. Biological terror is the unspoken stuff of our nightmares. Ironically, while the ideology of free trade probably peaked in the 1990s, technology transfer among terrorists has never been more enthusiastic, or uncontrollable, thanks in part to the explosion in digital communications at the turn of the century.

In another age, such a dangerous, fractured world might have led to calls for enhanced U.S. military presence abroad. But Americans are disillusioned with failed foreign ventures and feel ever more vulnerable to mysterious dark forces that they fear their government should not try to contain abroad.

because it cannot even identify, much less eradicate them with any degree of certainty. We have effectively withdrawn from NATO, to the consternation of our European allies who live in renewed fear of Russian aggression. U.S. troops have been gone from Korea since before the 2012 reunification of North and South. Many hawks privately lament this.

But “neo-isolationists” have had their way. The U.S. military ceased to be forward deployed, so the current emphasis is on threats that exist within our own borders. (The Navy, in particular, is on the prowl for domestic missions to justify its existence at a time of stringent fiscal constraints.) A source of grave fear and uncertainty is chemical weapons, which the world has seen used in nearly two dozen instances since 2000. The U.S. has learned the hard way that it is not immune from the danger of this kind of terrorism. In fact, the nation still has not recovered psychologically from the Orlando tragedy, particularly because no group ever claimed responsibility for the terrorist incident, and no one was ever apprehended. If there is chemical terrorism now, will biological weapons be next?

For almost a decade now, **the U.S. economy** has achieved only minimal growth — just enough to keep voter frustration at bay and the public hopeful that the economy as a whole will resume robust expansion, as some remember the glory days of the early 2000s. But the economy shows all the symptoms of advanced age. The infrastructure is worn down and increasingly inefficient. Creeping protectionism has hurt export growth and the entitlement payments (namely Medicare and Social Security) are a weighty burden for an economy in which on average there are only slightly more than two workers for every person receiving Social Security entitlements. Innovation is hampered by an acute shortage of investment capital and rising obstacles to global product rollout and commercialization. To the permanent detriment of the Midwest and Rust Belt, U.S. manufacturing has been losing out to more efficient producers in Asia and Europe. These are particularly hard times for unionized workers in sectors such as automotive.

To be sure, there are pockets of strength and stability. Global demand, particularly from Asia, for U.S. agricultural production continues to grow and advances in plant genetics have kept the U.S. the most competitive farm producer. U.S. pharmaceutical companies remain among the global leaders in new drug development. Financial services, software, entertainment and tourism (geared especially to affluent Asians) are generally strong, if not dominant, sectors as well. What is clear in this otherwise sluggish and uninspired economy is that nearly everyone knows someone who is making enough money to get ahead. But for everyone who is economically mobile, another three or four workers are either just holding their own or falling behind.

A weary resignation characterizes U.S. society. Most people have to work harder, sometimes taking on extra jobs, to make ends meet. “Time poverty” for the average worker is extreme. Americans are trying to save because they are not convinced that better times are around the corner. Instead, they wonder if the less optimistic pundits are right when they say that, as strong as it continues to be, the U.S. is no longer the single dominating economic force in the world. There is also the sense of physical insecurity that Americans now feel living in an age of high-tech terrorism. Escapism is widespread, whether it is through alcohol, drugs, gambling, or mind-numbing computer games and virtual entertainment.

Volunteerism, at least at the national level, is a rare impulse. Young people are more concerned with career direction or job security. Two years building schools in Africa would be viewed as a risky move with a dubious payback. Where volunteerism has continued to exist is at the very local level (e.g., school or church), where one's family or immediate community is the clear beneficiary. Volunteerism is also alive in the retiree community, though increasing numbers work part time for wages to supplement their pensions.

Overall, retired Americans live reasonably well, thanks to Social Security's preservation. But many retirees have discovered to their dismay that their savings have not grown as forecast. Moreover, many find themselves supporting their children, who are raising families in indisputably less ebullient economic times than the golden times of the Boomers' prime earning years. These wealth transfers keep generational tensions at bay, but do not fully ameliorate them.

With the federal government playing a more passive role in the allocation of public funds and benefits, the stronger economic regions of the country tend to get stronger while the weaker regions either stagnate or decline. Competition for investment capital and jobs between states is extreme, with the more desperate ones willing to cut taxes and subsidize worker training to attract new employers. Poor states by definition are least able to cut taxes and they have a very hard time retaining skilled workers. As one sociologist observed, an internal brain drain is reinforcing inequalities between states. States of more modest means with common interests (e.g., the three northern New England states — ME, VT and NH) have all but merged their state operations to conserve fiscal resources and better compete with other regions.

The quality of life between U.S. economic regions is also inequitable. The more well to do states tend to demand higher levels of environmental compliance, particularly since the federal government has offloaded this kind of responsibility to the states. Affluent counties situated in more environmentally permissive states similarly tend to enact stringent environmental controls when polluters threaten their natural resources. In general, regional identification is very strong. Upstate New York counties levy special taxes on wines produced outside the region; Wisconsin does the same for cheese.

The scandals of 2008 left a mark on the nation's political consciousness and its beliefs about the proper role of government. No one seems interested in re-empowering the U.S. Congress, particularly when it comes to spending the taxpayer's money. Nor do people trust the President to send the nation's sons and daughters off to war for vague humanitarian missions that have nothing to do with national security. Thus, the thinking on Main Street goes something like this: "We have no choice but to trust the federal government to protect us from terrorists and ensure that our elderly receive the public benefits to which they are entitled, but we do not have to rely on them to determine our school curricula, or tell us where to build our highways, or how fast we can go on our jet skis."

In the Americas, the collapse of NAFTA has signaled wider political and economic difficulties in the region. With the U.S. mired in a prolonged economic slump and turning steadily more protectionist, Mexico and the Central American/Caribbean countries have suffered significant losses in market access,

aid, and other forms of official U.S. assistance. What is astounding is how quickly the U.S. “withdrawal” occurred, once the economy stumbled and a range of long-standing bilateral assistance programs came under scrutiny by multi-partisan congressional investigators. Long-standing plans to offload critical aid programs to Non-Governmental Organizations (NGOs) simply did not occur. Once funding sources were cut, there were simply no programs to offload. Nor did regional and multilateral organizations like the Inter-American Development Bank or the United Nations step into the breach in any meaningful way after the U.S. had withdrawn crucial financial support.

The sum effect of these conditions on **Mexico and the Caribbean**

Basin has been devastating. Unemployment has soared in sectors hard hit by U.S. trade restrictions and withdrawn investment. Tourism from the U.S. has been crippled, both by declining household income north of the border as well as by expanding conditions of crime, poverty and disease in once popular tourist destinations. Government spending in critical areas like education, health and maternal health has been cut to the bone. Worse, institutional reform efforts aimed at economic stabilization and controlling corruption have been abandoned, frequently leaving governments in the hands of despots, thieves or colonels. Such gloomy and often dangerous conditions leave many desperate to emigrate, legally or otherwise, notwithstanding high unemployment and strong anti-immigrant sentiment in the U.S., Canada and Europe.

Partly owing to the long-term, structural problems of the U.S. and mature economies, economic growth has slowed and trade flows have stagnated or declined. In the Americas, the collapse of **NAFTA** in 2006 reverberated throughout the hemisphere, reversing the 20-year trend of regional trade liberalization and open markets. Even worse, it has had a palpably dampening effect on multilateral efforts (e.g., World Trade Organization) to stem the slow but steadily rising tide of trade barriers. Hardest hit from the demise of the hemispheric trade effort has been the Caribbean Basin, particularly the poorest and most dependent countries whose most desperate residents seek economic security in the U.S.

The exception to the general hemispheric trend is **Cuba**, which is the mostly unlikely success story to emerge from the upheavals in the Americas. The success comes from the large amount of capital that was pumped into the Island following Fidel Castro’s death in 2007, and from an infusion of entrepreneurial energy and know-how. Cuban-American investment was matched by Chinese overseas investment, as well as by capital put up by a range of underworld sources: Mexico, Colombia, U.S., and even Russia. A dozen years into “The New Cuba,” prospects are promising. Trade with Miami is booming and the Island has become a chic tourist destination as well as new offshore banking haven. The downside of a democratic, capitalist Cuba is the rebirth of an underclass, which has grown in line with the cessation of social investment policies and the end of universal secondary education.

Against many predictions, **the European Union** has held together, if not thrived, thanks largely to the successful single currency program, a highly diverse set of global trade relationships, and, most

Hilton Returns to Cuba

HAVANA, CUBA, April 21: Nearly a half century after pulling out of Cuba, the global hospitality concern Hilton International returned to the Island, with the dramatic opening of its lavish Grand Casino and Resort. U.S. Secretary of State Alicia Martinez-Fonts and Florida Governor Roberto V. Gambino traveled to Havana for the opening of the \$100 million dollar Hilton resort . . .

important, a political commitment on members' part to make European integration work. Foreign trade promotion clearly has been critical to Europe's success — but so have domestic reform policies. Like the U.S., Europe has rationed entitlements in line with need. Still, growth has been very modest; Germany, France, Italy and the U.K. have not proved immune to “geroneconomic” challenges related to an aging workforce and extraordinarily large numbers of retired and elderly people needing healthcare, housing and services. With welfare scaled back greatly, young, marginally skilled European workers are under enormous pressure to take these kinds of healthcare and service jobs. As elsewhere, regions (e.g., Northern Italy, Southern Germany), not countries, define economic success.

Japan has moved well beyond the financial crisis of the early century, but its economic recovery has been slow and challenging. Partly in the face of trade restrictions with the U.S., Japan has intensified trade and investment links in Asia-Pacific, particularly with China and Southeast Asia, which serve as large and growing consumer markets, and efficient bases for ever higher value-added manufacturing.

China, with significant support from the overseas Chinese investment community, Japan and Europe, has defied the odds against economic and political failure and is growing by 6-8 percent a year, with manageable inflation and steadily rising real wages. The challenges it faces are mainly domestic (economic inequality between coastal provinces and its still-struggling interior region), although rising protectionism in the West is also a source of concern.

The **Middle East** has benefited by relatively strong oil prices, a result of high Asian demand and slow development of hydrocarbon energy alternatives, and the successful commercialization of the Greater Palestine Free Trade Area (GPFTA). This stroke of genius has made fortunes for Arab and Israeli entrepreneurs alike and it promises to provide a long-term, sustainable incentive for peace in the region. Many people remark how ironic it is that while much of the rest of the world threatens to implode, the Middle East stumbles upon a formula for peace.

The Global Maritime Environment in 2020

Global trade relations are in a troubled and somewhat turbulent state. The globalization trend peaked a decade and a half ago and since that time policies of the major trading nations have for the most part been driven by short-term, opportunistic considerations, rather than the long-term, free trade perspective that so dominated global trade policy at century's end. Accordingly, a patchwork of protectionism impedes the efficient movement of goods (and services) across many borders, and relatively free trade arrangements are rarely permanent. Trade terms and therefore commercial relationships are constantly in flux. While national governments, including the U.S., back off from major bilateral or multilateral tariff-cutting deals, they often permit state or regional governments to hammer out reciprocal accords with trade partners. Such is the nature of the Florida-Cuba trade accord, for one.

For the shipping industry, the growth of regional manufacturing, assembly and trading centers has to some extent mitigated the early 2000s trend toward ever-larger ships and “mega” facilities. But the regional trend has by no means eliminated the necessity of transoceanic maritime transportation. It was the global economy, after all, that enabled the efficiencies of regional (and sub-regional) trading

arrangements to be realized. And today, in 2020, many regional production centers continue to rely on supplies produced in plants, halfway around the globe. In the U.S., regional manufacturing and commercial centers require modern and efficient port facilities, the busiest of which today are the ports of Miami, New Orleans, San Diego, and Seattle.

These and other strategic ports receive regional, state and even local support. Because of federal cutbacks, U.S. Custom Service's resources are in short supply. In busy ports where authorities are on alert for drugs and smuggled contraband (e.g., Miami), cargo inspections are subject to long and expensive delays. In response, customs has granted some states the authority to provide temporary Customs support — people, hardware and even dogs.

Technology's contribution to greater safety and efficiency in maritime transportation has been somewhat less than what turn-of-the-century industry visionaries hoped would emerge. Commercial vessels have grown larger, faster and smarter, but there have been no "great leaps forward" that would radically alter the economics or the operational safety and security of maritime transportation. Industry analysts find little evidence of the kind of strategic, long-term investments on the part of the owners and operators that great technology breakthroughs require.

The mass-market end of the U.S. leisure boating industry is in decline, mostly due to long-term bad economics. A sizeable high-end boating segment continues to exist; there are no prohibitive luxury taxes to discourage leisure craft ownership, though local communities do charge user fees to cover common infrastructure costs.

There is immense pressure on domestic fish stocks from both domestic and foreign sources. Experts say fish stocks are nearing the point of irreversible depletion. New England, the Pacific Northwest and Alaska (with Russia) run regional conservation efforts aimed at preventing gross over-fishing and poaching.

Scenario Characteristics Matrix

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
Role of Federal Government	Limited
U.S. Economic Vitality	Weak
Threats to U.S. Society	High
Demand for Maritime Services	High
Global Economic Health and Stability	<p>Very mixed global economic outlook, with trade flows declining and mature economies laboring under heavy population (aging) burdens and deteriorating infrastructures. Increasingly, regional economies (cross-border and within national borders) are what matter. In the U.S., for example, the grain belt is thriving, while the Rust Belt manufacturing is struggling because of declining productivity and fierce foreign competition.</p>
U.S. Society and Economy	<p>Overall, the U.S. economy is undergoing weak growth and declining competitiveness in the face of an aging population, a declining infrastructure, falling investment levels, and increasingly fractional, short-sighted politics and policies. Unemployment is now structurally high, though the sufficiently motivated do find enough work to get by. There are, however, select pockets of economic strength, in sectors where the U.S. remains competitive (e.g., example, agriculture, financial services, entertainment, and tourism). Economic strengths and weaknesses tend to be regionally and sub-regionally concentrated.</p> <p>Fiscal situation of the U.S. is poor and unstable. Many federal programs have been offloaded to states or otherwise eliminated. Some richer states with high quality of life expectations (e.g., California, Washington, and New York, enact their own tough laws to compensate for federal backtracking on regulations having to do with, for example, the environment). Medicare is now “means tested” (subject to financial eligibility requirements), but still in precarious shape given the decline in the national work-retired ratio. Yearly outlays by the federal government are still huge.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
NAFTA and Latin America	<p>NAFTA has collapsed. Mexico is suffering acute political and economic pressures, which stimulate the flow of ever-larger numbers of desperate people over the border in search of work. (The U.S. has nearly sealed off the border; Mexico has all but suspended diplomatic relations in response.) The U.S. government continues to extend selective trade preferences to the greater Latin American region, but in some cases these have been undermined by state (and even local) rules meant to protect local producers. In this way, for example, California restricts some apparel imports on the grounds that these products are not made with free and justly compensated workers. Other states, when trading with Latin America appears to be in their interests, enact incentives that go beyond federal offerings. The net result of all this is a confusing patchwork of conflicting and incoherent set of trade policies, which change quickly in response to the prevailing political and economic winds of the day.</p> <p>Argentina, with its strong farm sector, is practically the only Latin American country without serious economic problems. Brazil's farm belt is thriving, but Brazil's manufacturing is stagnant, with very little movement up the value curve and no significant industrial job creation or wage growth.</p>
Cuba/Caribbean	<p>Overall, the Caribbean Basin region is economically troubled, owing to depressed primary commodity prices and a collapse in Western Hemisphere tourism demand. Thousands of Caribbean economic refugees seek shelter in the U.S., Canada, and Cuba. The poorest and most desperate (e.g., Haiti) come by boat.</p> <p>The dramatic exception to the Caribbean regional trend is Cuba, which has been successfully re-capitalized by the Cuban-American community and, not too much later, by offshore Chinese investors and various underworld syndicates, including Russian, all of whom are seeking ground-floor financial opportunities, legal and otherwise. No longer a basket case, Cuba is the scene of "big ships, big buildings, and big deals." When the Castro brothers left the scene, Cuba avoided a potentially destabilizing mass exodus of its educated and skilled population. In retrospect, it is clear that that this group correctly predicted that money was to be made in a free and capitalist Cuba.</p>
European Union (EU)	<p>The European Union (EU) picture is mixed. Monetary union has worked and the region is realizing the benefits of economic integration. As a whole, the EU is doing better than the U.S. economically, in part because it has successfully diversified trade relations (e.g., with China). Like the U.S., the E.U. retains select pockets of excellence. But growth is sluggish, the aging population burden is heavy, and many skilled workers cannot find work in their fields and face much more limited emigration opportunities as protectionism increases around the world. In addition, an unstable Russia presents security concerns on the eastern border.</p>
Japan	<p>Sluggish growth, but growth nonetheless, in a very mature but by now reformed Japanese economy. Japan is highly dependent on Southeast Asian commerce. There are significant labor shortages and heavy demographic burdens posed by an aging population. Living standards, after having been eroded during the intense reform period of 2001-2006, have leveled off.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
China	<p>The economy is strong and productivity is rising behind investment inflows and technology transfer from Japan and the West. China has gone far in managing the transition from socialism to the free market and, gradually, it has loosened up social controls in the face of rising political opposition. Early in the 21st century, China eased up population controls because of gross population imbalances that could have led to labor shortages if left uncorrected. The biggest threat is protectionism from the West and unbalanced regional growth. (Interior China's economic catch-up with the coastal provinces slows due to internal migration of skilled workers from the interior.)</p>
India	<p>Slow growth stemming from growing defense expenditures in the face of a potentially aggressive China (or at least perception thereof) and the threat of conflict with Pakistan. Rapid population growth and sluggish economic performance, continue to place major demands on government and society and are sources of instability. The sub-continent is also plagued by religious conflicts.</p>
Southeast Asia	<p>Fairly strong growth across the region, driven by manufactures exports to Japan, Europe and the U.S., with exporting companies adding ever-higher levels of value (and not mere assembling). At the same time, there are growing constraints posed by trade barriers (i.e., the U.S.). Southeast Asia, along with China, inherits much of Japan's manufacturing base.</p>
Russia	<p>Struggling and unstable under an authoritarian government. Russia is internally focused, though its instability is a source of fear for its Western neighbors. Revenue from energy and natural resources keeps enough money flowing in to avert economic collapse, but democracy and free market reforms are no longer part of the agenda. Authorities contain organized crime and its influence in the economy, but do not erase it.</p>
Middle East	<p>Steady upward pressure on oil prices thanks in part to strong Asian growth and retarded development of non-hydrocarbon alternatives. Periodic flare-ups between Arab states and Israel, but the region experienced a sustained take-off when the Greater Palestine Free Trade Zone was inaugurated. All the major principals benefit economically, so no one wants to jeopardize this.</p>
Africa	<p>European aid and investment helps support Africa's gradual economic development, but funds are limited, population pressures remain great, and international institutions lack power and financial clout. The good news is that aid is helping Africa better manage infant disease and AIDS. Oil producers enjoy accelerated development. North Africa grows more integrated economically with the Middle East and is now a fairly booming region.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
Philosophy of U.S. Government in Society	<p>Good government is no government, or at least minimal government. The tendency is clearly to the local levels: state, county, town, gated community. NIMBY (“Not in My Back Yard”) reigns.</p> <p>Deep discontent with Republican and Democratic leadership has led to the splintering of each of the two traditional parties. In each case, libertarian-like splinters challenged the honesty, integrity and leadership credibility of the “old guard” which is viewed as corrupt, out of touch and otherwise ineffective. These views have been intensified by a series of scandals.</p>
Global Economic Integration	<p>The global economy has experienced a partial rollback of the free trade movement of the 1980s and 1990s. This has been a gradual and piecemeal phenomenon, made up of many individual actions by nation states (and sub-national actors). Some nations hold steadfastly to free trade and open market policies, particularly when such policies are deemed economically beneficial. But most countries are opportunistic and ultimately inconsistent in managing trade relationships. Their guiding principles are short-term commercial payback. If low tariffs and few trade restrictions win new investment and promise more jobs, fine. Likewise, if local jobs and income are at risk because of cheaper imported products, protectionism is the policy of choice. Few major trading nations seek new long-term commitments. The EU has managed to hold together, but NAFTA has not. Integration of trade, capital, and labor markets tends to take place within national regions (e.g., Northeast U.S.) and across national borders (e.g., San Diego-Tijuana and South Florida-Cuba).</p> <p>The World Trade Organization still exists but has long ago ceased to be influential. WTO rulings are effectively ignored. Considerable policy conflict within countries over tariffs and trade practices. National governments tend to favor higher tariffs for revenue purposes. State and local governments meanwhile claim these harm local producers.</p>
Maritime Commerce	<p>For the U.S., maritime commerce tends to be regional and local except where “being global” is economically compelling. The U.S. is still importing petroleum (though not for the moment from Mexico) and exporting bulk raw material including grain to Asia where demand is quite strong, and growing. Overall, global use of maritime commerce is higher, with large but older vessels accounting for most trade. The U.S. continues to import manufactured goods from abroad, but the share as a percentage of total trade has fallen since the early 2000 decade. The number of U.S. ports is expanding, as increasing numbers of (richer) states and regions desire their own trade infrastructure — sometimes on the principle of independence and autonomy and at other times to more effectively compete. Non-natural deep water ports that do not upgrade facilities have lost out to more “natural” and efficient ports. Major, efficient ports situated in regional trade zones, such as Miami, are booming.</p> <p>U.S.-originating passenger ship traffic declines, though demand is rising from European and Asian tourists. There is sluggish growth in trade with no marked increase in America’s hemispheric trade. Intra-Asian trade is fairly strong, though not predictably so. There are many small fishing vessels for subsistence fishing by local poor people.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
Nature of and Changes in Maritime Jurisdiction	<p>U.S. still claims a 200-mile EEZ, although enforcement is difficult. States have special interests/concerns (e.g., customs, environment, etc.) so that they exercise concurrent jurisdiction out to 12 miles. Law of the Sea is selectively followed.</p>
Traditional Military Threats	<p>Low traditional threats (the U.S. is not forward deployed and it has withdrawn from Korea; we're inactive members of NATO).</p> <p>The military is small, with highly specialized missions to deal with; for example, terrorist situations and other non-traditional threats. State national guards are strong and well funded. Southwestern states have professional militias (full-time, activated national guards) to protect the border. DOD assists in the defense of maritime borders.</p>
Weapons of Mass Destruction (WMD)	<p>Large and growing risk (and perception thereof) of rapid WMD proliferation, in the absence of strong U.S. (or other) leadership to curtail the WMD trade.</p>
Weapons of Mass Disruption (WMd)	<p>WMds are not primary weapons, as information systems tend to be highly secure and centralized. This is the result of serious and widespread compromises of Internet security in the 2001-2004 period. The WWW is "surf at your own risk" and, not surprisingly, the quantity and quality of content has dropped dramatically since its heyday. Internet systems, on the other hand, offer safe and secure, but much more limited and cumbersome, access. There is the widespread sense that the dream of seamless, global digital communications will not be realized soon.</p>
Terrorism	<p>Significant amounts of terrorist activity, globally, with many drivers: political and economic desperation, ethnic and religious hatred, radical anti-modernism, and the rise of violent separatism. In the U.S. there are threats of violence from anti-government and anti-immigrant groups, and from foreign forces lashing out against perceived economic and cultural hegemony.</p>
Criminal Activity	<p>Organized crime is widespread and active in drugs, illegal gambling, and cross-border and interstate commerce in gray market contraband. Gangsters profit by exploiting tax and tariff differentials between adjacent jurisdictions.</p> <p>Mundane, non-violent crime is called "the silent cancer of U.S. society." Tax evasion has grown widespread in the face of weak, chronically under-funded and demoralized government, especially at the federal level.</p> <p>Drug abuse continues to be a problem, both in cities and in the more affluent suburbs. Abuse rises as the economy fails and as desperation increases among the economically and educationally marginalized. There is some local drug liberalization and/or decriminalization (often with taxation by states).</p> <p>In the U.S., piracy and poaching are serious problems.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
Illegal Immigration into the U.S. (from where, how (land/sea))	<p>Massive illegal immigration from Mexico, as NAFTA collapses and the Mexican economy tanks. Steady stream of émigrés from hard-hit economies in the Caribbean Basin. (Cuba takes a hard line against illegal immigration from other countries in the region. With its government sector reformed and capitalism flourishing, Cuba has enough trouble finding jobs for its own unskilled laborers.)</p>
Power & Influence of International Organizations	<p>The power and influence of International Organizations have diminished in the face of U.S. withdrawal from global forums, and the turning inward of most other powers. IOs retain some legacy responsibilities in non-politicized areas.</p>
State of American Educational System	<p>Declining overall, but with local pockets of excellence, depending on tax base. Private education at primary and secondary levels seen as the surest route to success. But relatively few can afford it. Federal educational standards have not been seriously discussed since the 1990s. The more affluent states and local governments reject any new federal role in education regulation.</p>
Global Information Infrastructure	<p>A relatively slow, incremental pace of IT development and adoption owing to bad economics, a lack of global standards and the subsequent reluctance of IT companies to make bets on what might be the wrong technology/standards.</p> <p>Connectivity is very local, with globality hampered by security concerns, crumbling infrastructure and lack of global standards.</p> <p>Individual states attempt to regulate and tax information transfers via “bit taxes.”</p>
Environmentalism (state of environment, government policies, global warming, etc.)	<p>Steady environmental deterioration worldwide and little global effort to do anything about it. In the U.S., what was once the EPA is largely ineffective. It is now the weaker sibling in the new Department of Energy and the Environment. Federal laws are relaxed, to allow regions and states to set their own standards, which vary according to industry needs, balance of lobbying efforts, and the strength of the local economy. Some regions have very strong rules (Pacific Coast, New England Coast), while others have very lax laws (Great Lakes region).</p>
Availability of Natural Resources — Fish Stocks and Seabed Resources (not environment)	<p>Serious compromise of federal conservation efforts (i.e., permissive exploitation of federal lands). Very harsh competition and conflicts over resources, especially water, energy and offshore resources, with deleterious economic consequences.</p> <p>Depleted fish stocks are under even greater stress. Regional governments struggle to protect what’s left (e.g., the New England and Canadian Maritime provinces have banded together to protect what’s left of the Grand Banks fishery). Poaching is rampant.</p>
Workforce Demographics	<p>Workforce skills generally in decline, with extreme stratification. Variable education outcomes based heavily on local economies: rich regions have great schools. Poor towns are desperate. Government struggling to keep unskilled illegal workers out, but some regions tolerate.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
Volunteerism	<p>Very weak civic mindedness. Widespread apathy, even at local levels. A poor economy stimulates interest in the religious life.</p>
Energy Availability and Alternatives	<p>Moderately high demand and subsequent price increases for energy worldwide, basically in line with population increases and Asian growth. U.S. demand, however, is stagnant. Low levels of investment in alternatives — any breakthroughs will likely come from Asia or Europe. Mexico no longer supplying U.S. with petroleum, in response to border seal-off. Great disparity in retail energy prices by state, based on taxes.</p>
U.S. Fiscal Health and Priorities	<p>Fiscal situation of the U.S. is poor and unstable. Tax base has shrunk, with states capturing increased taxing and spending authority. A lot of tough competition for scarce resources. Infrastructure spending nearly all at state and local levels. Fiscal pressures force some states (e.g., New England) to merge and rationalize a wide range of state administrations, creating regional governments in the process.</p>
State of Technology Investment	<p>Technology development and innovation are slow and dominated by large private companies, most of which are non-U.S. or essentially nationality-less. National labs, now dependent on private funding, are hard hit. Some essential U.S. government funding for highest priority defense R&D projects, but commercial spillover is negligible.</p>
Changes in Government Decision-Making Processes	<p>In U.S., pronounced shift to state and regional priorities, which greatly limits traditional federal government authority and mandates. This is a bare-bones federal government whose role is largely limited to defense, national security, fiscal and monetary policy, justice, and legacy Social Security obligations. Two national parties splinter, with state and regional offshoots gaining strength. Congress is greatly weakened and tends to be volatile, with rapid turnover in committee membership and large numbers of inexperienced new members trying to establish themselves. Meanwhile, lobbyists and influence groups devote increasing amounts of attention to state and local governments, where increasing amounts of once-federal business are now taking place. Most states were unprepared (if not totally overwhelmed) by the added policy and administrative responsibilities, but are now coming up to speed.</p>
Government Restructuring	<p>Radical shrinkage of the federal government to essential constitutional responsibilities — strict constructionist interpretation of the Constitution. Federal departments reduced to six: DOD, State, Treasury, Justice, a very, very small HHS, and the new Department of Energy and the Environment.</p>
Global Standards; Regulatory Harmonization	<p>Minimal harmonization across borders — we're still not on the metric system. DOD asserts U.S. national security interests in critical areas such as defense communications. The IMO and other international standards bodies still exist, but the U.S. is not a big player in them and fails to adopt many commercial standards (to our economic detriment in many cases). States apply additional standards for issues such as the environment, safety, security, etc.</p>
Leisure Time and Activities	<p>U.S. leisure time has declined in difficult economic times. Leisure demand for the masses is concentrated in cheap, accessible activities. Bowling, net games, and virtual bingo are big. In the U.S. there is a pronounced decline in recreational boating overall, though resort areas populated by "haves" will continue to be active.</p>

<div>Scenario</div> <div>Mission Drivers</div>	<div>Balkanized America</div>
Privatization	<p>There's not much left to privatize at the federal, state or local levels. For states, what's left and attractive is put up to bid for the exclusive benefit of local business ("good old boys"). Some outsourcing of local government functions such as data processing, legal, HR, etc., where states are strong. Otherwise, for poor states, state employment is <i>de facto</i> welfare and outsourcing is limited.</p>